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State of Idaho

Legislative Services Office

## Management Report

A communication to the Joint Finance-Appropriations Committee

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# IDAHO INDUSTRIAL COMMISSION

FY 2009, 2010, AND 2011

Report MR30011  
Date Issued: August 7, 2012

*Serving Idaho's Citizen Legislature*



Idaho Legislative Services Office  
Legislative Audits Division

April Renfro, CPA, Manager

## IDAHO INDUSTRIAL COMMISSION

### SUMMARY

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#### **PURPOSE OF MANAGEMENT REVIEW**

We conducted a management review of the Idaho Industrial Commission covering the fiscal years ended June 30, 2009, 2010, and 2011. Our review covered general administrative procedures and accounting controls to determine that activities are properly recorded and reported.

The intent of this review was not to express an opinion, but to provide general assurance on internal controls and to raise the awareness of management and others of any conditions and control weaknesses that may exist and offer recommendations for improvement.

#### **CONCLUSION**

We did not identify any significant conditions or weaknesses in the general administrative and accounting controls of the Commission.

#### **FINDINGS AND RECOMMENDATIONS**

There are no findings and recommendations in this report.

#### **AGENCY RESPONSE**

The Commission has reviewed the report and is in general agreement with its contents.

#### **PRIOR FINDINGS AND RECOMMENDATIONS**

The prior report for fiscal years 2006 through 2008 included one finding and recommendation, which was evaluated and closed at the 90-day follow-up.

#### **FINANCIAL INFORMATION**

The following financial data is for informational purposes only.

**IDAHO INDUSTRIAL COMMISSION – FISCAL YEAR 2011**

Fund	Fund Name	Beginning Cash Balance	Receipts/ Transfers In	Disbursements/ Transfers Out	Ending Cash Balance
0300	Administration	\$2,443,796	\$10,302,710	\$10,240,517	\$2,505,989
0312	Peace & Detention Officer Disability	434,286	165,075	107,332	492,029
0313	Crime Victims Compensation	1,021,832	2,756,134	2,480,341	1,297,625
0348	Federal	3,164	461,720	462,306	2,578
0349	Miscellaneous Revenue	71,553	40,630	30,284	81,899
0519	Special Indemnity	0	4,059,484	4,059,484	0
	Totals	<u>\$3,974,631</u>	<u>\$17,785,753</u>	<u>\$17,380,264</u>	<u>\$4,380,120</u>

**OTHER INFORMATION**

We discussed other issues which, if addressed, would improve internal control, compliance, and efficiency.

This report is intended solely for the information and use of the State of Idaho and the Idaho Industrial Commission and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the director, Mindy Montgomery, and her staff.

**ASSIGNED STAFF**

Chris Farnsworth, CPA, Managing Auditor

Maresa Blessinger, In-Charge Auditor

Suzie Jones, Staff Auditor

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## AGENCY RESPONSE

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# IDAHO INDUSTRIAL COMMISSION

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C.L. "BUTCH" OTTER, GOVERNOR

July 12, 2012

April Renfro, Manager  
Legislative Audits  
LEGISLATIVE SERVICES OFFICE  
P O Box 83720  
Boise, ID 83720-0054

RE: Fiscal Year 2009-2011 Audit Report


Dear April:

The Industrial Commission has reviewed the Fiscal Year 2009-2011 Management Report conducted by your office. There were no findings or recommendations contained in the report, and the report concluded, "We did not identify any significant conditions or weaknesses in the general administrative and accounting controls of the Commission".

We hereby accept the FY2009 – FY2011 audit report and its conclusion.

It was a pleasure working with you and your staff, and I especially want to thank Maresa Blessinger and Suzi Jones for their cooperation and professionalism throughout the course of their work.

Sincerely,

  
MINDY MONTGOMERY  
Director

# APPENDIX

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## HISTORY

For nearly a century, the Industrial Commission has worked to ensure that eligible workers injured on the job receive compensation to which they are entitled under the Workers' Compensation Law. The following is a chronological history of the Commission.

- 1917 – The Industrial Accident Board was created as a statutory body with quasi-judicial powers to investigate facts and arrive at conclusions.
- 1936 – House Joint Resolution #1 was ratified, giving the board constitutional recognition as a special court for adjudication of questions pertaining to the Workmen's Compensation Law.
- 1970 – The Governor designated the Board to reach an agreement with the U.S. Secretary of Labor relative to jurisdiction over local and state safety matters.
- 1972 – Re-codification of the Workmen's Compensation Law was enacted, replacing the Industrial Accident Board with the Industrial Commission.
- 1974 – As authorized by enactment of Idaho Code, Section 72-501A, the Rehabilitation Division was established for a trial period of two years.
- 1977 – The fiscal year 1978 appropriation to the Commission did not include funding for the Rehabilitation Division.
- 1978 – The laws relating to the Rehabilitation Division were repealed and reenacted, and the program was reinstated and funded as of March 22, 1978.
- 1978 – Management of the Industrial Special Indemnity Account or "Second Injury Fund" was transferred to the Department of Administration. The Industrial Commission still receipts all money to the account.
- 1986 – The Crime Victims' Compensation Fund was established as authorized by Idaho Code, Section 72-1009.
- 1989 – The law was amended, changing its title from Workmen's Compensation Law to Workers' Compensation Law. The Commission created a mediation program to settle disputes between injured employees and employers (sureties).
- 2005 – Legislature proposed and passed legislation amending Section 72-803 of the Idaho Code requiring the Industrial Commission to establish a medical fee schedule for physician reimbursement with annual updates.
- 2007 – The legislature enacted the Peace Officer and Detention Officer Temporary Disability Act to be managed by the Industrial Commission. Idaho Code Section 72, Chapter 11.
- 2009 – Idaho Code, Section 72-517 was amended to provide authority to the Commission to enter into certain cooperative agreements with other agencies.

2010 – The Crime Victims Program proposed legislation for authority to establish a medical fee schedule. Idaho Code, Section 72-1026.

### **STATUTORY AUTHORITY**

Statutory authority for the Commission is found in Idaho Code, Title 72, and the recognition of it as a special court is found in Article V, Section 9, of the Idaho Constitution.

### **PURPOSE**

The Commission administers the Idaho Workers' Compensation Law. The Commission comprises one employer representative, one worker representative, and one attorney. Statutes require that the Industrial Commission:

1. Settle disputed workers' compensation matters. (Commissioners have the same judicial level as Idaho's district judges.
2. Act as an appeals court for Department of Labor claims.
3. Maintain files on all workers' compensation claims.
4. Secure the rights of Idaho workers' by ensuring that all employers subject to the law are insured.
5. Maintain workers' compensation coverage histories on all covered employers.
6. Administer Idaho's Crime Victims' Compensation Law.
7. Complete, bill, and collect Industrial Special Indemnity Fund assessments.

### **ORGANIZATION**

The three-member Industrial Commission is appointed by (but not subject to removal by) the Governor to staggered six-year terms, subject to approval by the Senate. Each commissioner must be at least 30 years old and have been a resident of the State for at least three consecutive years preceding the appointment. The Commission cannot be represented by more than one person who could be classified as a worker representative, and one who could be classified as an employer representative. One Commission appointee must be a licensed attorney. No more than two members of the Commission may belong to the same political party.

The Commission is assisted in administering its day-to-day activities by a director who serves at a level between the Commissioners and staff to coordinate the activities of the four functional divisions of the agency: Compensation, Adjudication, Rehabilitation, and Crime Victims.

The Compensation Division is made up of several bureaus that handle day-to-day activities. These bureaus are:

**ADMINISTRATION** – This bureau includes the director, public information specialist, and the Commission secretary.

**MANAGEMENT SERVICES** – This bureau consists of three sections: fiscal, information technology, and human resources.

**BENEFITS ADMINISTRATION** – This bureau maintains records of each on-the-job accident. It ensures that benefits are paid properly, in a timely manner, and in accordance with the Workers' Compensation Law.

**EMPLOYER COMPLIANCE** – This bureau maintains files on employers to ensure they have coverage as required by the Idaho Workers' Compensation Law. Employers not carrying coverage may be assessed penalties.

The Adjudication Division comprises commissioners, attorneys, mediators, medical fee dispute analyst, and support staff, who resolve workers' compensation disputes and serve as the appeal authority for unemployment insurance appeals.

Rehabilitation Division personnel have direct contact with injured workers, employers, doctors, and others to minimize the period of disability. To accomplish this, field consultants must stay knowledgeable about current job markets and the availability of medical and social services offered in their communities.

The Crime Victims' Compensation Program provides financial assistance to innocent victims of crime who are injured as a result of criminally injurious conduct. The program also pays for sexual assault forensic exams.

The Commission's organizational chart is included in this report.

### **FUND DESCRIPTIONS**

The Commission is funded primarily by workers' compensation insurance premium tax assessments, fines, interest, restitution payments, and two federal grants. Revenues are used to support operations of the Commission's workers' compensation, rehabilitation, and adjudication programs, as well as to make payments to crime victims and the Second Injury Fund administered by the Department of Administration.

#### INDUSTRIAL ADMINISTRATION FUND 0300

This fund receives revenue from workers' compensation insurance premium tax assessments, fines, and interest payments. These funds are used to support workers' compensation, rehabilitation, and adjudication programs. This fund is also used to support safety inspection programs in places of public employment that ensure safe working conditions and to promote logging safety. (Safety inspection programs are administered by the Division of Building Safety through an interagency agreement.)

#### PEACE AND DETENTION OFFICER DISABILITY FUND 0312

Created during the 2007 legislative session, this fund received funding from all persons convicted of a misdemeanor or felony, except upon order of the court due to indigence. Money is transferred from the counties to the State Treasurer's Office for deposit into the Peace and Detention Officer Disability Fund. In addition, this fund receives money from appropriations, gifts, grants, and donations. These funds are used to provide a full salary to employees injured in certain dangerous situations by providing a supplemental compensation to the ordinary workers' compensation benefits.

#### CRIME VICTIMS COMPENSATION FUND 0313

This fund receives funding from all persons convicted of a misdemeanor or felony, except upon order of the court due to indigence. Money is transferred from the counties to the State Treasurer's Office for deposit into the Crime Victims' Compensation Fund. In addition, this fund receives money from court restitution orders, subrogation payments, a federal grant funded by federal penalties against offenders, and donations. These funds are used to administer the Crime Victims' Compensation Program and to compensate innocent victims of crime, or their dependents, for medical care, mental health counseling, lost wages, and burial expenses incurred as a direct result of being victimized by a crime, to a maximum of \$25,000 per victim, per crime.

#### FEDERAL FUND 0348

This fund receives money from the U.S. Department of Justice for the Crime Victims' Compensation Program, as well as a small amount from the Census Bureau for Fatal Occupational Injuries of the U.S. Department of Labor, Bureau of Labor Statistics. These funds are used to compensate crime victims or their dependents for medical care, mental health counseling, lost wages, and burial expenses. Eligible expenses are incurred as a direct result of being victimized by a crime to a maximum of \$25,000 per victim, per crime. The funds from the Bureau of Labor Statistics are used to track statistics on fatal accidents incurred while at work.

#### MISCELLANEOUS FUND 0349

This fund receives revenue from Commission-sponsored seminars. These funds are used to pay the costs associated with hosting an annual seminar and a workers' compensation certification program.

#### SPECIAL INDEMNITY FUND 0519

This fund receives revenue from annual assessments, equal to two times the amount of expenses incurred by the Idaho Second Injury Fund during the previous fiscal years, less the existing cash balance of the fund at fiscal year-end. The total assessment is prorated among the State Insurance Fund, self-insured companies, and sureties, based on each entity's proportionate share of total indemnity benefits that were paid on open workers' compensation claims. These funds are used exclusively to pay the administrative costs of operating the fund and making payments to claimants who have suffered an industrial injury subsequent to either a pre-existing physical impairment or condition, or a prior industrial injury which, when combined, render the claimant totally and permanently disabled. This fund, and the benefits from this fund, is administered by the Department of Administration.

# IDAHO INDUSTRIAL COMMISSION

APRIL 2012

